

Message Text

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SUBJECT: CANCELLATION OF CPC INTERNATIONAL INVESTMENT
DECREE

1. WILLIAM CODY, VICE PRESIDENT, AND JOHN PETERKIN,
EUROPEAN COUNSEL OF CPC INTERNATIONAL, CALLED ON DEPUTY
ASSISTANT SECRETARY LAINGEN APRIL 14 TO DISCUSS THEIR
CURRENT PROBLEM WITH THE TURKISH GOVERNMENT. CPC IS UNDER
HEAVY TURKISH GOVERNMENT PRESSURE TO DIVEST ITSELF OF 50
INTEREST IT HOLDS IN BESIN VE MISIR SANAYII ("BEMIS"), A
TURKISH CORN REFINING FIRM.

2. CODY AND PETERKIN EXPLAINED THAT CPC'S PROBLEM BEGAN
IN 1968 WHEN ITS INVESTMENT DECREE UNDER LAW 6224 WAS
CHALLENGED IN A SUIT BROUGHT IN THE ADMINISTRATIVE COURT
BY TURKISH COMPETITORS. THE ADMINISTRATIVE COURT IN 1971
RULED IN FAVOR OF CPC. THE TURKISH COMPETITORS, HOWEVER,
APPLIED FOR RECONSIDERATION, AND IN 1973 THE COURT RULED
AGAINST CPC AND CANCELLED CPC'S INVESTMENT DECREE. CPC

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HAS FILED NEW APPLICATION UNDER LAW 6224 WITH GOT STATE

PLANNING OFFICE OFFERING TO MAKE EXPORT COMMITMENTS FOUND LACKING BY COURT IN THE 1968 DECREE. THE SPO REPORTEDLY HAS DECLINED TO ENTER INTO NEGOTIATIONS WITH CPC.

3. PETERKIN DESCRIBED INTENSIVE LOBBYING ON THE PART OF CPC'S COMPETITORS, INCLUDING INSTIGATION OF A NEWSPAPER CAMPAIGN CASTIGATING CPC, WHICH HAD MADE THE CASE A POLITICAL "HOT POTATO". AS A RESULT, HE NOTED, THE TURKISH BUREAUCRACY HAS BEEN RELUCTANT TO MAKE DECISIONS IN FAVOR OF CPC.

4. IN 1974 THE FINANCE MINISTRY INFORMED CPC THAT AS ITS INVESTMENT DECREE WAS CANCELLED, IT WOULD HAVE TO SELL ALL ITS BEMIS SHARES. CPC CHALLENGED THAT DECISION IN ADMINISTRATIVE COURT AND THAT COURT'S ADVERSE 1973 RULING, BUT HAS BEEN UNABLE TO AVERT CONTINUING MINISTRY OF FINANCE PRESSURE TO LIQUIDATE THE FIRM'S TURKISH HOLDINGS.

5. THE CASE REACHED THE CRISIS POINT THREE WEEKS AGO WHEN THE MINISTRY OF FINANCE ISSUED A LETTER TO BEMIS WARNING THAT, UNLESS CPC DISPOSES OF ALL OF ITS SHARES WITHIN 90 DAYS, THE MINISTRY OF FINANCE WOULD BRING SUIT IN COMMERCIAL COURT TO HAVE BEMIS LIQUIDATED ON THE BASIS THAT ITS FORMATION DOES NOT COMPLY WITH TURKISH COMMERCIAL LAW. CPC HAS APPEALED THAT ACTION TO THE SUPREME COUNCIL AND HAS BEEN INFORMED THAT THE APPEAL IS SITTING ON THE PRIME MINISTER'S DESK. THE PRIME MINISTER REPORTEDLY IS SYMPATHETIC BUT WOULD HAVE DIFFICULTY TAKING FAVORABLE ACTION BECAUSE THE CASE HAS BEEN MADE A PUBLIC ISSUE BY CPC'S COMPETITORS.

6. CPC OFFICERS NOTED THAT AMBASSADOR MACOMBER HAD WRITTEN TO THE FOREIGN MINISTER ON BEHALF OF CPC A YEAR AGO, AND THEY EMPHASIZED THEIR GREAT APPRECIATION OF THE INTEREST SHOWN BY THE AMBASSADOR AND HIS STAFF IN THE CASE. CPC BELIEVES THAT THE PERSONAL INTERVENTION OF THE AMBASSADOR COULD BE DECISIVE AT THIS TIME, POINTING OUT THAT IF THE PRIME MINISTER DOES NOT MOVE IN FAVOR OF CPC, THE FIRM MAY LOSE OVER \$5 MILLION, PRINCIPALLY IN CPC-GUARANTEED BANK CREDITS.

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7. THE DEPARTMENT BELIEVES THAT THIS CASE SHOULD BE RAISED WITH THE GOT BY THE AMBASSADOR AT AN APPROPRIATE LEVEL WITH SOME URGENCY IN VIEW OF THE FACT THAT THE 90-DAY PERIOD ALLOWED BY THE MINISTRY OF FINANCE FOR THE DISPOSITION OF CPC'S BEMIS STOCK IS NOW RUNNING. FROM THE INFORMATION FURNISHED BY CPC, IT WOULD APPEAR THAT CPC HAS ACTED IN GOOD FAITH TO MEET THE REQUIREMENTS OF

TURKISH INVESTMENT LAW. UNDER SUCH CIRCUMSTANCES, IF CPC WERE FORCED OUT OF TURKEY AT A SUBSTANTIAL LOSS, THE NEGATIVE REACTION WITHIN THE US BUSINESS COMMUNITY COULD BE WIDESPREAD.

8. CPC IDEALLY WOULD LIKE ITS NEW APPLICATION UNDER LAW 6224 FAVORABLY CONSIDERED, BUT THE FIRM'S IMMEDIATE OBJECTIVE IS TO OBTAIN "BREATHING SPACE" THROUGH THE WITHDRAWAL OR TEMPORARY SUSPENSION OF THE FINANCE MINISTRY'S ORDER COMPELLING IMMEDIATE DIVESTITURE OF CPC'S BEMIS STOCK. THIS WOULD ALLOW TIME FOR GOT CONSIDERATION OF NEW 6224 APPLICATION AND COURT ACTION ON COMPANY'S APPEAL. IN APPROACH TO TURKS WE BELIEVE IT MIGHT BE USEFUL TO EMPHASIZE FIRM'S WILLINGNESS TO COMPLY WITH TURKISH LAW AND CORRECT "DEFICIENCIES" NOTED BY THE ADMINISTRATIVE COURT IN ITS EARLIER INVESTMENT DECREE. IT COULD ALSO BE POINTED OUT TO TURKS THAT CPC BELIEVES IT HAS BENEFITED THE TURKISH ECONOMY THROUGH ITS INVESTMENT ACTIVITY AS REQUIRED BY LAW 6224 AND SHOULD HAVE THE OPPORTUNITY TO HAVE ITS PENDING APPLICATION AND APPEAL DULY CONSIDERED BY THE COMPETENT TURKISH AUTHORITIES.

ROBINSON

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